

Message Text

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12

ACTION AF-06

INFO OCT-01 ARA-06 EUR-12 EA-06 NEA-09 ISO-00 INT-05 TAR-01

EB-07 COME-00 TRSE-00 OMB-01 STR-01 CIAE-00 DODE-00

PM-03 H-01 INR-07 L-02 NSAE-00 NSC-05 PA-01 RSC-01

PRS-01 SP-02 SS-15 USIA-06 /099 W

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R 240845Z JAN 75

FM AMEMBASSY CONAKRY

TO SECSTATE WASHDC 0446

AMEMBASSY ACCRA

AMEMBASSY ALGIERS

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY CANBERRA

AMEMBASSY FREETOWN

AMEMBASSY GEORGETOWN

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KINGSTON

AMEMBASSY MONROVIA

AMEMBASSY MOSCOW

AMCONSUL PARAMARIBO

AMEMBASSY PARIS

USLO PEKING

AMEMBASSY PORT AU PRINCE

AMEMBASSY PORT OF SPAIN

AMEMBASSY SAN JOSE

AMEMBASSY SANTO DOMINGO

AMEMBASSY THE HAGUE

AMEMBASSY YAOUNDE

C O N F I D E N T I A L CONAKRY 0110

E.O. 11652: GDS

TAGS: EMIN, GV, UR, CH

SUBJECT: CHINESE AND SOVIET VIEWS ON GUINEAN BAUXITE EXPORT TAX

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1. DURING MY FAREWELL CALL ON CHINESE AMBASSADOR TSIEN, CHI-CHEN I ASKED FOR HIS REACTIONS TO PRESIDENT TOURE'S RECENT ANNOUNCEMENT AND THE NEWLY APPROVED GUINEAN LAW LEVYING EXPORT TAXES ON GUINEAN MINERAL. AMBASSADOR TSIEN SAID HE THOUGH THAT THE TAX WAS REALLY INTENDED AS A GUINEAN WAY OF GETTING OUT OF THE SOVIET UNION SOME OF THE PROFITS THAT THE SOVIETS ARE MAKING FROM GUINEAN BAUXITE. HE SAID THAT THE SOVIETS HAVE A CONTRACT WITH THE GUINEAN COMPANIES FOR A FIXED PRICE OF \$6.50 PER TON OF BAUXITE OVER THE NEXT SEVENTEEN YEARS. THE REPAYMENT OF GUINEA'S DEBTS TO THE SOVIET UNION HAS BEEN BASED ON THIS SCHEDULE. YET THE SOVIETS ARE SELLING THE BAUXITE ON THE WORLD MARKET FOR ABOUT DOUBLE THAT PRICE. THE GUINEAN GOVERNMENT FELT THAT IT WOULD BE EXTREMELY DIFFICULT TO NEGOTIATE WITH THE SOVIETS AN INCREASE IN BAUXITE PRICES. THEREFORE, IT DECIDED UNILATERALLY TO APPLY A TAX BASED ON ITS SOVEREIGNTY WHICH THE SOVIETS WOULD BE HARDPRESSED TO CONTEST.

2. THE SOVIET VIEW ON THE TAX IS THAT SINCE THE KINDIA BAUXITE PROJECT IS A GUINEAN GOVERNMENT ACTIVITY, THE SOVIET UNION IS NOT REALLY INVOLVED. ONE EASTERN EUROPEAN AMBASSADOR WHO IS CLOSE TO THE SOVIETS SAID THAT SINCE THE SOVIETS DO NOT EXPORT BAUXITE BUT ONLY BUT IF FROM THE GUINEAN GOVERNMENT, THEN ANY TAX WOULD HAVE TO BE PAID BY THE EXPORTER, WHICH IS THE GUINEAN GOVERNMENT.##

3. FROM THE ABOVE VIEWS AND THE GENERAL REACTION OF FOREIGNERS IN GUINEA, IT APPEARS THAT THE GUINEAN GOVERNMENT MAY BE IN FOR SOME PROBLEMS IN IMPLEMENTING ITS NEW BAUXITE EXPORT TAX WITH THE SOVIETS AS WELL AS THE WESTERNERS.
TODMAN

NOTE BY OC/T: ##SENTENCE AS RECEIVED.

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NNN

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